



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

THE CANADIAN BUDGETARY SYSTEM.

THE almost perfect working of the English budgetary system has attracted very wide attention. Economists and financiers admire it in its practical working, while perhaps pointing to some slight deficiencies in theory. And the question is frequently raised: would the system work to equal advantage in other countries under different political and economic conditions? Without pursuing this question in its general application, it may be said that in all its essential features the English system is carried into effect in Canada. The same directness, continuity, effectiveness, and responsibility that attend the preparation, voting, and execution of the budget in the imperial Parliament are features equally paramount in the Canadian practice. The example is afforded of a system, gradually developed through centuries of experience in the old world, being grafted into new world conditions, and working in complete harmony with these conditions, in a country which has reached only its initial stage of development.

REFERENCES: J. G. BOURINOT, *Parliamentary Procedure and Practice*; *British North America Act, 1867*; *Rules of the House of Commons (Canada)*; *Public Accounts*; *Appropriation Act*; *Journals of the House of Commons*; *Auditor General's Reports*; *Budget Speeches*; *Audit Act*.

The department of finance in the federal government of Canada is presided over by the minister of finance, who is a member of the premier's cabinet. His is the only political office in the department. The deputy-minister and the staff are under the direction of the minister, and may be removed by him; but they are not removed on account of a change of government. It is the aim of the government to secure the greatest efficiency possible in the civil service, and to have it as far removed from partisan interference as is practicable.

In its preparation the budget in Canada is in the hands of the finance minister and his colleagues in the cabinet. It is

true that no money may be appropriated and no tax may be levied by parliament except on the recommendation of the governor-general, the representative of the sovereign. But paradoxical as it may seem, the governor-general has really no relation to the budget. The explanation is that any recommendation he may make is not his own, but is initiated by a responsible cabinet, the members of which are members of the house of commons or of the senate, as well as heads of departments of government. The cabinet is really a committee of the house, and its responsibility to the house, and consequently to the country, is absolute and unlimited.

That the preparation of the financial measures of the government is in the hands of the cabinet is important, not only because of this direct responsibility that is imposed, but also because it devolves upon the members of the cabinet as constituting the government to put the budget into execution. In these circumstances untried theories have no place practically in the proposed legislation. The cabinet feels its responsibility from the very initiation of the estimates to the spending of the last dollar of the appropriations, and therefore any new theories or devices are well considered in regard to their practical application to the affairs of the country before they are given a place in the fiscal proposals.

Again, the government, and particularly the minister of finance, is acquainted with the needs of the country as a whole, as well as the demands of particular sections, and hence is in a position to supervise intelligently the preparation of the estimates in regard to their territorial distribution. The cabinet consists of a body of men who are drawn from the various provinces and who have cognizance of, and who to a large extent represent, the demands of the provinces from Nova Scotia to British Columbia. As a committee, therefore, it is well qualified to give judgment on the country's requirements and to advise the governor-general in regard to financial matters.

How, then, does this advice originate? The minister of finance, who is a member of Parliament as well as of the gov-

ernment, takes the initiative by issuing in the autumn of each year a circular letter which he addresses to the other ministers. This letter requests them as heads of departments to send to the minister of finance estimates for the fiscal year beginning the first of the next July. There is no fixed time by which these estimates must be in the hands of the minister, but the practice has been invariably to have them filed during the latter part of November or the early part of December. The fact that there is no particular date set for the meeting of Parliament tends to induce dilatoriness on the part of the officers of the departments, and any Canadian minister of finance would consider himself highly favored if the bulk of these estimates were before him by the first of December. When there is the possibility that the meeting of Parliament may be delayed until late in February or even until March, it is difficult for the finance minister to impress upon delinquent departments the necessity of especial haste in the preparation of estimates.

But the main estimates are in the hands of the finance minister in sufficient time to enable him to scrutinize them carefully before he submits them to the cabinet for their consideration. It may be assumed that each department has asked for funds sufficient to provide for its actual requirements. On the other hand, it is equally safe to say that for their internal administration the departmental requests are not largely in excess of what will be needed. Indeed, it is the practice in this regard to ask for about 10 per cent. more than will be required, in order to be on the safe side. For example, in 1900-1 the finance department spent 91 $\frac{1}{3}$ per cent. of the amount appropriated for its use.

The finance minister scans the estimates with a very critical eye, looking out particularly for increases. He has obtained also from the revenue departments, the customs and other revenue branches, the amounts of estimated income for the next fiscal year, based on the supposition that taxation will remain the same. With the information which this gives him he feels the necessity of adjusting expenditure to revenue. Hence he is

frequently under the necessity of exercising his prerogative in regard to cutting down the estimates as submitted by his colleagues. He satisfies himself that all increases are for expenditures which are necessary before he allows them to pass. If the demands of a department are out of proportion to its needs, or, if on any other account revision is necessary, it is the duty and the practice of the finance minister to point out to the head of that department that such revision is desirable.

The Canadian finance minister occupies rather a unique position in regard to the preparation of the estimates and the maintenance of the equilibrium between revenue and expenditure. The functions of his office under existing conditions are not precisely those of the chancellor of the exchequer in England. Much less are they identical with those of the ways and means committee of the United States house of representatives. And yet, in a large measure, they combine the duties of both. Like the chancellor of the exchequer, it is the duty of the finance minister of Canada to devise legislation in order to raise sufficient revenue to meet the expenses of government, and, like the chairman of the ways and means committee at Washington, he must so adjust the tariff as to afford protection to home industries. The English and American fiscal policies are built on widely divergent lines, the former attempting to raise only sufficient revenue to meet expenditures without regard to the protection of manufactures; the latter aiming far beyond the point of the adjustment of taxation to the requirements of the public service. The predominant motive in the American system is the protection of the manufactures of the country, and in carrying out this policy large surpluses accrue, little attempt being made to adjust receipts to expenditures. The Canadian tariff is a low protective tariff, and in comparison with the American it may be called a revenue tariff affording incidental protection. In adjusting taxation, therefore, the finance minister executes the office of the chancellor of the exchequer when he adjusts the revenue to meet the required outlay; and likewise he performs a similar office to that of the congressional ways and means com-

mittee when he makes tariff proposals with a view to the protection of home manufactures.

When he has considered carefully the estimates, the finance minister places them before his colleagues in cabinet council. There the ministers examine them item by item, and discuss fully matters relating to revenue and expenditure. Items of political significance receive due attention, those affecting one part of the country are weighed against those affecting another part. It is necessary also to decide between important projects for the development of the resources of the Dominion. The cabinet directs its attention first to fixing the limits within which the expenditure must be contained for the next fiscal year. If expenditure is to be kept within the bounds of revenue, obviously any large projects will be entered upon only after mature deliberation and the consideration of other claims. The necessary and inevitable result is that some proposed expenditures must be eliminated, not because they are undesirable or because they are not urgent, but because of the pressing demands of necessary things. Thus the cabinet has the determining voice not only in regard to the amount of particular items of the estimates, but also in regard to the total expenditure for the year, as well as the territorial distribution of that expenditure. Furthermore, it accepts the responsibility of apportioning to each line of the public service the approximate amount that shall be devoted to that service. That is to say, if, for example, the public works department desired to increase its outlay on public buildings, the question of this proposed expenditure would come up in cabinet council, and its relative importance to other proposals would be discussed and a decision reached by the cabinet as a whole. A minister may champion an increase of expenditure in his department, but his colleagues regard his claim in view of the aggregate amount to be spent and the demands of the several other departments.

The estimates are submitted to Parliament very shortly after the opening of the house. This year (1902) the house met on Thursday, February 13, and the estimates were brought down on Monday, February 17, that is, on the second working day of

the session. There are two main divisions of the estimates, viz., permanent and annual. The permanent are those which are provided for and fixed by statute, and which it is not expedient year by year to subject to political discussion. They represent about three-eighths of the total expenditure. They include such items as the costs incidental to the collection of the revenue, the annual interests of the public debts of the several provinces at the time of confederation, the salary of the governor-general, the principal and interest on the loans raised for the purpose of constructing the Intercolonial Railway, of paying the Hudson's Bay Company, the sinking fund to provide for these loans, etc.; the yearly salaries of the judges of the supreme court and the exchequer court, and grants payable to the several provinces of the Dominion.¹

The annual appropriations are for all other purposes of government. They are submitted to the house on the motion to go into committee of supply. The first matter the house deals with each session is the governor-general's speech, and immediately after it has been agreed to the finance minister makes a formal motion to the effect that on a certain day the house will resolve itself into a committee to consider the supply to be granted to His Majesty.² Before the house actually goes into supply, the finance minister brings down the estimates by message from the governor-general. He then moves "that the said message, together with the estimates accompanying the name, be referred to the committee of supply."³ In this committee, which is constituted by all the members of the house of commons, the chair is taken by a permanent chairman of committees, and a member is not restricted to one speech on any question before the committee, there being perfect freedom of discussion. The estimates are arranged into votes or resolutions, and appropriate particular sums for particular purposes. They are submitted to the house on the joint responsibility of the cabinet. A vote to reject or to refuse to consider

¹ *Audit Act*, Art. 3.

² *House of Commons Journals*, 1874, p. 10; 1876, p. 55.

³ *Ibid.*, 1876, p. 68.

the estimates would be considered equal to a vote of non-confidence in the ministry, and would lead to its resignation. Furthermore, the minister to whose department any particular item applies is under the necessity of making a full explanation in regard to the item, if such explanation is asked for by any member of the house. Hence it is in committee of supply that much financial criticism takes place. From the information placed in their hands members know the amount voted for a particular service the previous year, as well as the amount asked for the coming year. A minister frequently has a very uncomfortable half-hour of it in trying to explain to the satisfaction of a critical and inquisitive opposition some item in regard to which he is not thoroughly informed, or which has been placed in the estimates obviously for political purposes.

Thus the budget in its preliminary stages is a creation of an executive charged with unlimited responsibility. A private member may not move to increase an item in the estimates, to insert a new one, or to levy a tax. The recommendation must come from the ministers through the governor-general. The British North American Act of 1867, Art. 54, provides "that it shall not be lawful for the house of commons to adopt or pass any vote, resolution, address or bill for the appropriation of any part of the public revenue or of any tax or import to any purpose that has not been first recommended to that house by message of the governor-general in the session in which such vote, resolution, bill or address is proposed." This precludes the possibility of the introduction by a private member of a resolution or bill involving, directly or indirectly, the expenditure of public money. A private member may move to strike out an item, or to reduce it, but not to insert a new one. The initiation of all such charges is constitutionally set aside as the function of the executive government. "No principle is better understood," says Bourinot, "than the constitutional obligation which rests upon the executive government of alone initiating charges upon the public exchequer."¹ This recommendation of

¹*Procedure and Practice*, p. 532.

the governor-general is given by a responsible minister, usually the premier or the leader of the government in the house of commons, in his place in Parliament. The following is an example of the announcement of such recommendation: "Sir Wilfrid Laurier, a member of the King's privy council, then acquainted the house that his excellency the governor-general, having been informed of the subject-matter of this motion, recommends it to the consideration of the house."¹

Again, in order to place all monetary legislation in the hands of the people, it is enacted in the B. N. A. Act, Art. 53, "that bills for appropriating any part of the public revenue shall originate in the house of commons." Such bills may not be introduced in the senate. The senators are appointed for life and hence they do not feel the direct responsibility which is felt by the members of the house, who for re-election must go to their constituents and account for their parliamentary conduct. The senate may, and does discuss matters of supply, but it does not attempt to amend the supply bill. The exclusive right of the house of commons to deal with matters of supply is also recognized by the governor-general, in his speech from the throne at the opening of each session of Parliament, when he addresses the members of the house of commons alone in referring to the supplies which will be required for carrying on the government of the country.² The speech as a whole is addressed to the members of the house of commons and of the senate jointly, but a special paragraph is inserted in which the members of the house alone are addressed. In the speech for 1902, for example, the paragraph referred to is as follows: "Gentlemen of the house of commons: The public accounts for the last year and the estimates for the succeeding year will be laid before you without delay." The insertion of this paragraph is a very direct and pointed recognition by the crown of the exclusive right of the house of commons to deal with financial legislation. In all other matters the senate is invited by the speech to participate in consideration and legislation, but to

¹*House of Commons Journals*, 1901, p. 317.

²*Ibid.*, 1901, p. 15.

the more representative house is delegated the responsibility of voting supplies and imposing taxation. Not only does the British North America Act specifically state that money grants must originate in the house of commons, and the crown recognize this in the speech from the throne, but the house itself has incorporated the following among its rules and orders: "All aids and supplies granted to His Majesty are the sole gift of the house of commons, as it is the undoubted right of the house to direct, limit and appoint in all such bills, the ends, purposes, considerations, conditions, limitations, and qualifications of such grants which are not alterable by the senate."¹

Thus it is established beyond all question that the representatives of the people duly elected to Parliament have the sole right to spend public money and to lay taxes upon the people. But their control goes much farther. It is not only a general control of the amounts to be raised and spent, but it is a control over each individual item introduced. In 1880 the house adopted the following orders:²

1. The description of the service for which the vote is given should be as definite as practicable, so that no one vote may be applicable to the same purpose for which another vote is given.
2. The description of the subheads into which votes are divided should be as definite as is practicable, so as to avoid questions as to the particular subhead to which any particular item of expenditure should be charged.
3. The supplementary votes should be divided as near as may be into the same subheads as the main votes to which they are supplementary.
4. Where large votes are taken, it is desirable to divide them into subheads, so as to give in the estimates as much detailed information as possible.
5. Votes which are intended as grants to institutions or individuals should be distinctly so specified; and no vote should be considered as so intended, unless so specified.
6. The supply bill should contain the subheads of the votes on which it is based.
7. It is the duty of those responsible for the estimates to make the calculations on which the main vote and its subdivisions are found carefully and closely as practicable and their attention to this duty will be increased by their being expected to furnish reasons for discrepancies.

¹ *Rule House of Commons* 89.

² *House of Commons Journals*, 1880, p. 183.

There is still another rule of the house which safeguards the public interests. It is designed to prevent the passage of any bill for the spending of any money, before the members have had sufficient time to consider it fully:

Rule 88.—If any motion be made by the house for any public aid or charge upon the people, the consideration and debate thereof may not be presently entered upon, but shall be further adjourned until such further day as the house shall think fit to appoint; and then it shall be referred to a committee of the whole house, before any resolution or vote of the house do pass thereon.

This rule provides a check on any hasty or ill-advised legislation that may be introduced.

The procedure in committee of supply is that each vote is taken up separately and discussed. Then it is put by the chairman and passed as any other motion. Each item in a vote may be taken up separately and discussed if the house so desires. The only limit to the discussion is that it must be relevant to the resolution under consideration. When the committee reports to the house with the speaker in the chair, the resolutions are passed in the regular way, receiving three readings before they are adopted by the house. Even at this late stage it is possible to reduce items, but not to increase them. If it is found that a grant is insufficient for the public service for which it is required, a supplementary vote must be passed. An example of this is afforded in the session of 1883. The committee of supply reported a vote of \$8,000 for the purchase of a property for the government. It was pointed out that the vote was insufficient and that the outlay would be \$11,000 instead of \$8,000. A suggestion was made to the effect that the premier should give the recommendation of the crown and increase the vote before this particular item of the report was reached. It was seen, on consideration, however, that such a proceeding at that late stage would be irregular, and that the only proper course was for the premier to bring down a supplementary vote in committee of supply for the balance of \$3,000.¹ Before the close of each

¹ *House of Commons Debates*, p. 1316; BOURINOT, *Procedure and Practice*, p. 562.

session all the votes or resolutions of supply are merged into one bill, which is passed in the regular way, and is known as the Appropriation Act. To this act the governor-general gives the royal assent.

The committee of ways and means, as well as the committee of supply, is formed at the commencement of each session.¹ It is the usual practice to deliver the budget speech on motion by the finance minister to go into committee of ways and means. There have been occasions when the budget has been delivered in committee, but this practice has been discarded in recent years. The procedure in ways and means is much the same as in supply. When tariff changes are made they are proposed in the form of resolutions, which receive the sanction of the committee, and are then reported to the house in due time and pass three readings there before they become law. Amendments may be introduced while the house is giving consideration to the resolutions from the ways and means committee, but no motion would be considered for the imposition of a new duty or for raising the rate on one already imposed. A member may, however, voice his disapproval of a tax by proposing another scheme of taxation for the same amount as the one before the house.

The budget speech is one of the most important features of the parliamentary year. Perhaps no other event is awaited with so much interest, not only by Parliament, but by the whole country as well. The manufacturer, the capitalist, the artisan, the merchant, the farmer—indeed all classes await very eagerly the announcement of the government's policy in regard to the tariff. This announcement is of concern particularly because the fact that the tariff is low and the country is very sensitive to the slightest change in the duties. In 1901 the average rate on all imports was 16.41.²

The budget statement is generally delivered in March, and covers three years. The actual receipts and expenditures of the last completed year are discussed, noting increases and decreases from previous records. The finance minister discusses briefly in

¹ *Canadian Commercial Journals*, 1874, p. 10.

² *Budget Speech*, 1901.

the speech the causes that have led to such fluctuations, and their effect on the financial standing and public debt. The amount of the surplus or deficit is clearly set forth, and is compared with other years. The expenses on current account are differentiated from expenses on capital account, and the state of the public debt is shown.

Then the speech proceeds to deal with the current year, that is with the year closing the next 30th of June. The minister knows what the revenue has been for say eight months, *i. e.*, from July 1 to March 1, and he knows the expenses of government for the same period. He is therefore in a position to estimate fairly accurately the outcome of the year's operations closing June 30; and he gives in his speech the result of his forecast, showing the probable total revenue from all sources, and over against this he sets the probable current expenditure, the expenditure on capital account, and the supplementary estimates not yet brought down, and with these figures he is able to state his estimate of the surplus or deficit as the case may be.

Furthermore, the year beginning the first of the next July is also discussed. The main estimates for this year will have been submitted to Parliament before the budget speech is delivered. The inevitable supplementary estimates will follow and will augment these estimates materially. If any special cause exists for increased expenditures not provided for, the finance minister points this out in his speech. For example, in the budget speech of 1901 Mr. Fielding noted the fact that in addition to the main estimates a considerable sum would be required in the shape of bounties on iron and steel. He had no means of forecasting the exact amount that would be required, as that would depend not on the amount of the bounty per ton, but upon the quantity that would be produced.¹

In regard to revenue the minister scans the commercial and industrial horizon, and tells Parliament what he sees. He realizes the fact that as a sagacious financier his reputation is at stake, and he endeavors to read aright and to explain to Parliament

¹ *Budget Speech, 1901.*

the signs of the times. As an example of such a statement the following sentences from the budget speech of 1901 may be quoted: "As to the revenue," said the finance minister, "I do not expect that we can keep on at the rate of increase that has been so marked during the last three or four years. I think we have probably now reached the crest of the wave of prosperity. I do not expect that we shall have any serious reverses, but I do not think that it is reasonable to expect that we can go on increasing our business as rapidly as we have done during the past few years, etc."¹ Not much attempt is made in the way of definite prediction for the year in the advance of the current fiscal year, beyond general statements in regard to the outlook. Following such predictions there appears in the budget speech a discussion of Canada's trade export and import, etc., accompanied by the announcement of any tariff proposals upon which the government may have decided.

In respect of the estimates as a whole and of the budget, it may be said with fairness that they are as accurate as may be expected in a country which covers such an immense area. The whole preparation of the estimates is carefully made and just as carefully scrutinized by the minister of finance and in cabinet council. They are subjected to searching criticism and often to much argument and opposition in committee of the whole house, and when they are finally passed they represent fairly accurately the sums required for the various services. There is always a certain amount of the appropriations granted by Parliament that is unexpended, and there are certain lapses, but generally speaking the sums voted are pretty close to the requirements and the percentage of lapsed balances and unexpended appropriations is not very large. Any appropriations that may be unexpended at the end of the financial year lapse and are written off,² and must be re-voted before they may be used.

In regard to the finance minister's predictions it may be said that he usually exercises what Stourm calls sagacity and integrity—sagacity to see clearly into the future and integrity to

¹ *Ibid.*

² *Audit Act*, Art. 37.

declare fearlessly what he sees. The budget statement is comprehensive and yet it is clear and simple. There are not too many classifications and the statements of the minister of finance are clear and to the point. The ordinary reader is able to gather from the budget speech an intelligent idea of the country's revenue and expenditure, the condition of the public debt and the state of trade. The statement is brief and lucid and no attempt is made to conceal from the country any unfavorable conditions which may exist already or which may be foreseen. Without question the judgment of the finance minister has been at fault at times, but in these instances it has been mistaken judgment in regard to future economic conditions rather than any desire to conceal real existing conditions, that has upset the calculations. For example, when the government in 1891 took the duty off raw sugar it is quite probable, indeed it is a fact, that neither the finance minister or any other member of the government anticipated or could foresee the lean years of 1893-4. The expenditure at this time was within very reasonable bounds and it was felt that a reduction of the sugar duties could be made safely. But had the depression of two years later been anticipated. when in amount the business failures increased 52 per cent.,¹ it is evident that the reduction would not have been made.

In regard to timeliness, the Canadian budget fulfills all reasonable demands. The fiscal year opens June 1st and the budget speech is delivered usually in March. In 1900 it was delivered on March 23d, and in 1901 on March 14th. In 1901 the actual revenue and expenditure as given in the budget speech was brought down to March 10th, *i. e.*, to within four days of the time the speech was given in the house. Thus the position of the finance minister is one of marked advantage as there are usually less than four months to estimate for in the current year when he makes his annual budget statement while the next fiscal year begins from three to four months ahead. Perhaps the only

¹Business failures, 1892, \$11,560,210; 1894, \$17,724,633.—*Budget Speech, 1890, Diagram 11.*

country that is better off in this respect is England. There the financial year begins April 1st and the accounts for the year are made up and the chancellor of the exchequer knows the actual receipts and expenditures for the year just completed when he makes his estimate for the coming year in the budget speech, usually about April 5. He has actually begun the year for which he is estimating. In the United States the estimates are made by the departments early in the autumn and are transmitted to Congress by the Secretary of the Treasury in December, seven months before the opening of the fiscal year to which they apply.

In Canada the supplementary grants, though comparatively small, play a somewhat important part in the financial legislation, and it is in regard to them that the government receives most criticism. Theoretically supplementary appropriations should have very little place in a well-ordered financial system. There is always a temptation for a government to withhold from Parliament a complete statement of its actual needs, if supplementary appropriations are to follow the main budget, in order to make a show of economy. This is particularly so in a year before an election. If Parliament had knowledge of the total requirements of the government it would be inclined to cut them down. Thus, by the judicious use of the supplementary grants the ministry is able to get more money out of Parliament than it could without them. The party in opposition usually advocates the reduction of supplementary estimates to a minimum or opposes their use altogether, but in actual practice both parties have found them necessary. One reason for this is the great extent or area of the country. The members of Parliament from British Columbia, for example, may have some pressing demand for expenditure in that province, and in all probability they do not approach the minister of finance or even the minister under whose department the appropriation is to be made, until they assemble in Ottawa for the meeting of Parliament. If the government accedes to their request and decides to ask Parliament for a grant, it must be brought down as a supplementary esti-

mate, because the main estimates will have been completed and already laid before Parliament. The great distance to be traveled by these members prevents their appearance at the seat of government, except when Parliament is in session. Similar appeals come from other quarters. Members frequently succeed in obtaining grants for their constituencies while Parliament is in session; and to these circumstances are due many of the supplementary estimates. Unforeseen events, also, occur which demand recognition. For example, in 1900 a destructive fire occurred in Ottawa and Hull, and many thousands of people were left homeless. The government brought down a supplementary estimate for \$100,000 for the relief of the sufferers.¹ On the whole the supplementary grants are kept within reasonable bounds. They run three, four or five millions per year, and eight or ten millions would be considered a very heavy supplementary charge.

In dealing with public money, the finance minister acts also in the capacity of receiver-general. And it is provided that "all public moneys from whatever source of revenue derived, shall be paid to the credit of the account of the minister of finance and receiver-general through such offices, banks or persons, and in such manner as the said minister from time to time directs and appoints."² The audit act also provides that the treasury board, a supplementary committee of council of which the finance minister is chairman, may appoint the times and mode in which persons charged with the collection of money shall make payment to the government, with the provision that payments must be made at least once every month.³ The treasury board has adopted a regulation to the effect that all collectors are required, when possible, to make a daily deposit of their receipts to the credit of the receiver-general unless such receipts are under the sum of twenty-five dollars.⁴

The public money is kept in consolidated account in the Bank of Montreal, and the routine by which collected funds reach

¹ *Sessional Paper*, 1900, 2b.

² *Audit Act*, Art. 25.

³ *Ibid.* Art. 26.

⁴ *Treasury Minute, Auditor-General's Report*, 1900, B. 23.

that account is interesting. The instance of cash collected by a collector of customs will afford a good illustration. He is given directions to pay his gross receipts into a bank which is authorized to receive government money. The bank issues to him a receipt in original, duplicate and triplicate and a draft on its branch at Ottawa. The officer retains the original receipt thus issued by the bank as his own receipt, and forwards to the customs department at Ottawa the duplicate, triplicate, and draft, together with a statement of the collections which he has deposited. The customs department keeps the duplicate and transmits the triplicate and the draft to the finance department, which holds the triplicate as a voucher. The amount of the deposit is credited to the customs department, and the draft is deposited into consolidated account. In cases where money is received at a place where there is no bank into which it can be paid conveniently, it is remitted in such manner as the receiver-general may direct, and accounts of such money are rendered to the auditor-general in such form as the treasury board may prescribe.¹

In regard to paying out public money, it is the invariable rule that no warrant shall be issued for any sum whatever that has not been voted by the house of commons, or by an act of Parliament. When there is such a resolution or statute, the governor-general from time to time under his signature, countersigned by a member of the treasury board, may authorize the minister of finance and receiver-general to issue from the moneys thus appropriated the sums required to defray such expenses, not exceeding the amount of the sums granted for the particular service.²

In general there are two ways in which moneys are paid out. In the first place any department may apply to the minister of finance for a letter-of-credit for a lump sum out of the funds that have been granted to that department by Parliament. The credit is issued on the Bank of Montreal or on other banks charged with the expenditure of public money, and the depart-

¹*Audit Act*, Art. 28.

²*Ibid.*, Art. 29.

ment issues its own cheques for the running expenses, the cheques being signed by the deputy minister and the accountant of the department. Statements in duplicate of all moneys paid out under these credits must be rendered. One statement together with the cheques that have been issued goes to the auditor-general, and the other to the minister of finance. Thus the auditor-general not only has the departmental statement of the money paid out, but he also has the endorsed cheques which prove that the money has been received by the person to whom it was due. Being satisfied with the correctness of the statement, therefore, the auditor-general requests the minister of finance to cause cheques to be prepared to reimburse the banks for the advance thus made. These cheques are signed by the auditor-general, or by their respective deputies.¹ A department may not overdraw its line of credit at a bank. By an order in council of July 7, 1892, it is the "duty of the accountant of each department to inform the deputy minister of the department whenever a cheque which is about to be issued will overdraw an appropriation or letter-of-credit, so that such a cheque may not issue until parliamentary or other authority as provided by the audit act, is obtained in the one case, or an additional credit in the other case."² In the second instance a cheque may be issued by the department of finance, and in this case an audit is made before the cheque is issued.

The Canadian audit is parliamentary. The auditor is appointed by the governor-general under the great seal of Canada for the complete examination of the public accounts.³ His salary is fixed by statute, and he is paid out of the consolidated fund. His tenure of office continues during good behavior, and he is removable by the governor-general on address of the senate and house of commons.⁴ The internal working of his office and the rates for the audit of the public accounts is left largely in his own hands—subject to the approval of the treasury board. Daily accounts of all govern-

¹*Audit Act*, Art. 30.

³*Audit Act*, Art. 21.

²*Auditor-General's Report*, 1900, p. B. 4.

⁴*Ibid.*, Art. 22.

ment receipts and deposits must be rendered to him.¹ In regard to the issue of checks it is the duty of the auditor to see that there is a direct parliamentary appropriation before any cheque is issued,² and no cheque may be issued except on his certificate that there is parliamentary authority for the expenditure.³ To this there are three exceptions: (1) If on appeal from the ruling of the auditor-general that there is no parliamentary appropriation for the issue of a certain cheque, the attorney-general of Canada expresses the opinion in writing that there is such authority, the treasury board may authorize the deputy-minister of finance and receiver-general to prepare a cheque irrespective of the auditor-general's report. (2) If an accident happens to a public work or building when Parliament is not in session, or an immediate outlay is required for repairs, or if any other occasion arises where an unforeseen expenditure is urgently and immediately required, the governor-general in council may issue a special warrant for the amount estimated to be required. This amount must be placed in a special account and cheques may be issued against it in the regular way. (3) In the case of the auditor-general's refusal to certify that the finance minister's cheque may be issued, on the ground that the amount is not justly due or on any other ground than that there is no parliamentary authority, the treasury board shall be appealed to and decide the question in dispute.⁴

In general, before he may authorize any payment to be made the auditor-general must satisfy himself, (1) that there is a definite parliamentary appropriation; (2) that such appropriation is not exceeded; (3) that the officer under whose special charge the public work is done has certified that such work has been done, or materials have been supplied, as the case may be; (4) that the officer has certified also that the price charged is according to contract, or if not covered by contract, that it is fair and just.

In regard to the annual report of the accounts, it is the duty of the finance minister to transmit to the auditor-general by the 30th of September every year, an account showing the issues

¹*Ibid.*, Art. 28.

²*Ibid.*, Art. 31.

³*Ibid.*, Art. 32.

⁴*Audit Act*, Art. 32.

made from the consolidated revenue account in the financial year ended on the 30th of June preceding for services directly under his control; and such accounts and the report of the auditor-general thereon must be laid before the house of commons by the minister of finance by January 31, or if the house is not sitting then, within one week of the opening of the session of Parliament.¹ If the minister fails to report to the house of commons within the time prescribed, it is the duty of the auditor-general to present the report forthwith.²

Thus in the preparation, execution and control of the Canadian budget there is a complete effective system, a system which will stand comparison with that of any other country in the world. The control of the people over the country's financial legislation is satisfactory. The checks imposed are sufficient to prevent the enactment of money bills by any man or by any set of men short of a good working majority in the house of commons. Perhaps in no other country, not even excepting England, do the details of estimates receive such close scrutiny. The audit is independent of any minister, of any department, or even of the whole cabinet. The auditor-general maintains his position firmly, and to say that his audit is effective is but to describe the normal condition of affairs.

R. C. MATTHEWS.

CAMBRIDGE, MASS.

¹*Audit Act*, Art. 35.

²*Ibid.*, 49.